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TO ALL AFRICAN DIPLOMATIC POSTS

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SUBJECT: FRENCH PROPOSAL FOR NEW AFRICAN DEVELOPMENT FUND

1. FOLLOWING IS TEXT OF INR REPORT NO. 539 DATED JULY 28, 1976.

2. PRESIDENT GISCARD'S PROPOSAL OF A SPECIAL FUND FOR AFRICAN DEVELOPMENT, WHICH HE INTRODUCED AT THE FRANCO-AFRICAN SUMMIT CONFERENCE LAST MAY, WAS INTENDED TO REASSURE MODERATE AFRICANS OF CONTINUING WESTERN SUPPORT FOLLOWING INCREASED SOVIET ACTIVITY. SINCE 1974, IN ADDITION TO MILITARY INVOLVEMENT IN ANGOLA, SOVIET ARMS DELIVERIES TO RADICAL GOVERNMENTS ON THE CONTINENT HAVE TURNED SHARPLY UPWARD. THE FINANCIAL SOURCES AND DECISIONMAKING STRUCTURE OF GISCARD'S PROPOSED FUND ARE FAR FROM CLEAR, BUT THE FRENCH WILL PROBABLY SOON PROVIDE THE US WITH AN AIDE-MEMOIRE ON THE SUBJECT.

3. BACKDROP TO THE PROPOSAL: REACTING TO THE SOVIET ADVANCES, MANY MODERATE AFRICAN LEADERS, PARTICULARLY THOSE IN FRANCE'S FORMER COLONIES, HAVE OPENLY EXPRESSED CONCERN AT GENERAL WESTERN UNWILLINGNESS TO COUNTER INCREASED

SOVIET ACTIVITY ON THE CONTINENT. ETHIOPIA AND ZAIRE HAVE ASKED FOR INCREASED MILITARY ASSISTANCE FROM THE UNITED STATES; KENYA AND GABON HAVE REQUESTED SUCH AID FOR THE FIRST TIME; AND AT LEAST EIGHT OTHER PRELIMINARY ARMS REQUESTS OR INQUIRIES HAVE BEEN RECEIVED BY THE US. MOREOVER, SEVERAL MODERATE AFRICAN STATES HAVE GIVEN CONSIDERATION TO THE FORMATION OF A MUTUAL DEFENSE ASSOCIATION.

4. CONSEQUENTLY, GISCARD'S REPRESENTATIVE HAS STATED THAT TO COUNTER SOVIET ACTIVITY, THOSE EUROPEAN NATIONS "WITH HISTORIC TIES TO AFRICA" PLUS THE UNITED STATES MUST ESTABLISH A POLITICALLY EFFECTIVE ORGANIZATION TO GIVE IMMEDIATE ECONOMIC ASSISTANCE TO WESTERN-ORIENTED AFRICAN STATES.

SINCE FRANCE HAS ENJOYED A SPECIAL RELATIONSHIP WITH MOST OF ITS FORMER COLONIES, GISCARD APPARENTLY ENVISIONS AN EXPANDED ENTENTE BETWEEN A CORE GROUP OF WESTERN DEMOCRACIES (FRANCE, US, UK, GERMANY, AND BELGIUM) AND FRIENDLY
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AFRICAN STATES.

5. EVIDENTLY GISCARD HOPED THAT THE TIMING OF THE FRANCO-AFRICAN SUMMIT CONFERENCE, WHICH WAS HELD IN PARIS, MAY 11-12, SHORTLY AFTER SECRETARY KISSINGER'S TRIP TO AFRICA, AND THE CONFERENCE'S INCLUSION OF ZAIRE, GUINEA-BISSAU, AND A FEW OTHER NON-FRANCOPHONES WOULD PROVIDE A RECEPTIVE ATMOSPHERE FOR THE SPECIAL FUND PROPOSAL. THUS GISCARD

LAUNCHED WHAT APPEARS TO BE A PERSONAL INITIATIVE WITH MUCH OF THE BASIC STAFF WORK AS YET NOT DONE. WHEN THE PROPOSAL WAS MADE, KEY FRENCH MINISTRIES HAD NO CLEAR IDEA OF THE FUND'S PURPOSE, SIZE, PARTICIPATION, OR INSTITUTIONAL ARRANGEMENTS. THE FRENCH BUREAUCRACY REMAINS IN DISARRAY OVER THE PROPOSAL, NOT SURE EVEN OF THE SOURCE OF THE FRENCH CONTRIBUTION TO THE FUND. SOME RANKING OFFICIALS HAVE COMPLAINED PRIVATELY THAT GISCARD MAKES DECISIONS CONCERNING AFRICAN POLICY WITHOUT CONSULTING THOSE WHO MANAGE EXISTING PROGRAMS.

6. OBJECTIVES: THE OBJECTIVES OF THE SPECIAL FUND, HOWEVER, WERE OUTLINED AT THE SUMMIT CONFERENCE AND CONSIST OF:

(A)--IMPROVEMENT AND DEVELOPMENT OF TRANSPORTATION ALTERNATIVES FOR LAND-LOCKED COUNTRIES;

(B)--COMBATING DROUGHT IN THE SAHEL;

(C)--DEVELOPMENT OF MINERAL RESOURCES; AND

(D)--MODERNIZATION OF AGRICULTURE.

THESE GOALS, NONE OF WHICH IS ESPECIALLY INNOVATIVE, WOULD PROVIDE A BURDEN-SHARING RESPONSE TO CURRENT PRESSURES BY SAHELIAN STATES FOR FRENCH ASSISTANCE FOR COSTLY INFRASTRUCTURE PROJECTS.

7. SINCE CONCENTRATION ON ONLY THESE FOUR GOALS MIGHT RULE OUT ASSISTANCE TO OTHER COUNTRIES WHICH FRANCE FOR POLITICAL REASONS WISHES TO FAVOR, INDUSTRIAL DEVELOPMENT AND TRANSFER OF TECHNOLOGY MAY POSSIBLY BE INCORPORATED INTO

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THE FUND'S OBJECTIVES. FRANCE CLEARLY INTENDS TO FOCUS ON WEST AND CENTRAL AFRICA, WHERE FORMER FRENCH COLONIES PREDOMINATE, BUT ALSO HOPES THAT THE FUND WILL OPEN NEW DOORS FOR THE DONOR COUNTRIES POLITICALLY, ESPECIALLY IN ENGLISH-SPEAKING AFRICA. HOWEVER, THE CHOICE OF ARDENTLY PRO-FRENCH SENGHOR OF SENEGAL OR HOUPHOUET-BOIGNY OF IVORY COAST AS THE SPECIAL FUND'S AFRICAN SPOKESMAN, AS SUGGESTED BY THE FRENCH, WOULD TEND TO ALIENATE ENGLISH-SPEAKING AFRICANS.

8. CONTINUING TO PRESS THE POSITION THAT THE PRINCIPAL MOTIVATION FOR THE NEW FUND WOULD BE POLITICAL, FRANCE HOPES THAT THE NEW ORGANIZATION WOULD BE FLEXIBLE ENOUGH TO ALLOW THE CHOICE OF AID RECIPIENTS AND PROJECTS TO BE MADE WITH MINIMAL BUREAUCRATIC DIFFICULTY AND WITHOUT

RIGID ECONOMIC CRITERIA CONCERNING COSTS AND BENEFITS. BUT EXACTLY HOW A POLITICAL FOCUS AND SIMPLE ADMINISTRATIVE FUNCTIONING OF THE FUND COULD BE MAINTAINED HAS NOT BEEN MADE CLEAR.

9. STRUCTURE, FUNDING: TWO BASIC INSTITUTIONS WERE PROPOSED AS THE ORGANIZATIONAL CORE OF THE FUND: A COUNCIL OF DONORS, WHICH FRANCE HAS VOLUNTEERED TO ORGANIZE, AND A COUNCIL OF RECIPIENTS. POLICY WOULD BE DETERMINED THROUGH JOINT DISCUSSIONS OF THE TWO COUNCILS. AS OUTLINED BY THE FRENCH AT A JULY MEETING OF POTENTIAL DONOR COUNTRIES, THE INITIAL CONTRIBUTIONS TO THE FUND SHOULD TOTAL DOL 1 BILLION FOR A FIVE-YEAR PERIOD. ALTHOUGH CONTRIBUTIONS WOULD BE VOLUNTARY, THE UNITED STATES WOULD BE EXPECTED TO CONTRIBUTE 40 PERCENT, FRANCE AND GERMANY 20 PERCENT EACH, BRITAIN 15 PERCENT, AND BELGIUM 5 PERCENT. OTHER INDUSTRIALIZED DEMOCRACIES MIGHT BE INVITED TO JOIN LATER. GISCARD HAD EARLIER SUGGESTED TO THE UNITED STATES THAT LOAN GUARANTEES AND INTEREST RATE SUBSIDIES BE MAJOR PARTS OF THE FUND'S PROGRAM.

10. REACTIONS: EUROPEAN REACTION TO THE FRENCH PROPOSALS HAS BEEN DECIDEDLY UNENTHUSIASTIC, INITIALLY INDICATING ANNOYANCE THAT FRANCE HAD HELD PRIOR CONSULTATIONS ONLY WITH THE UNITED STATES AND NOT WITH ITS PARTNERS IN THE EUROPEAN ECONOMIC COMMUNITY. BOTH THE GERMANS AND THE

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BRITISH HAVE BEEN PESSIMISTIC ABOUT THEIR ABILITY TO PROVIDE ANY NEW FUNDS FOR AFRICAN AID ALTHOUGH REALLOCATION OF PREVIOUSLY COMMITTED FUNDS MIGHT BE POSSIBLE. THE EUROPEANS ARE ALSO LIKELY TO ARGUE THAT THEY ARE ALREADY MAKING SUBSTANTIAL CONTRIBUTIONS TO AFRICA THROUGH THE ECONOMIC COMMUNITY'S EUROPEAN DEVELOPMENT FUND AND OTHER FUNDS AND THAT THESE, IN THEIR VIEW, INDIRECTLY PROVIDE FRANCE WITH CONSIDERABLE ECONOMIC AND POLITICAL BENEFITS. SOME OFFICIALS ARE CONCERNED THAT THE SPECIAL FUND WOULD DUPLICATE THE FUNCTIONS OF THE EUROPEAN DEVELOPMENT FUND WITHOUT PROVIDING ANY ADDITIONAL POLITICAL BENEFITS, AND WOULD BE COMPETITIVE WITH THE AFRICAN DEVELOPMENT FUND OF THE AFRICAN DEVELOPMENT BANK, TO WHICH ALL EUROPEAN DONORS EXCEPT FRANCE ALREADY CONTRIBUTE. OTHERS SPECULATE THAT THE FUND PROPOSAL IS ACTUALLY AN ATTEMPT TO SPREAD THE BURDEN OF FRANCE'S ALREADY SIZABLE AFRICAN COMMITMENTS.

11. CONFUSION ABOUT FRENCH MOTIVATIONS IS HEIGHTENED BY THE FACT THAT FRANCE HAD PREVIOUSLY OPPOSED THE ESTABLISHMENT OF NEW MULTILATERAL ORGANIZATIONS, E.G., THE INTERNATIONAL RESOURCES BANK, WHILE SHOWING INTEREST IN OTHER VENTURES OF UNCLEAR FUNCTION. THE FRANCO-AFRICAN SOLIDAR-

ITY FUND, FOR EXAMPLE, PROPOSED AT THE FRENCH-AFRICAN SUMMIT AT BANGUI IN MARCH 1975 AND APPROVED AT THE MAY 1976 SUMMIT, COULD BE USED FOR THE SAME GENERAL PURPOSE AS THE MUCH LARGER PROPOSED NEW MULTILATERAL FUND. FURTHERMORE, FRANCE SO FAR HAS NOT CONTRIBUTED TO THE AFRICAN DEVELOPMENT FUND OR THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT BECAUSE IT HAS NOT BEEN ABLE TO DECIDE THE SIZE OF ITS CONTRIBUTION.

12. THE AFRICANS AT THE SUMMIT WARMLY RECEIVED THE FRENCH PROPOSALS BUT ALSO HAD MANY QUESTIONS ABOUT THE PROGRAM'S IMPLEMENTATION. FRENCH OFFICIALS BELIEVE THAT AFRICAN EXPECTATIONS ABOUT THE FUND HAVE NOT YET BEEN AROUSED, AND THEY DO NOT WISH TO ENCOURAGE SUCH EXPECTATIONS UNTIL PLANS BECOME MUCH FIRMER.

13. IN SPITE OF THE FINANCIAL AND POLITICAL CONSTRAINTS ON THE EUROPEAN PARTNERS, THE FRENCH ARE OPTIMISTIC THAT, GIVEN GISCARD'S STRONG PERSONAL COMMITMENT, THE EUROPEANS
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(AND THE AMERICANS) WILL GO ALONG WITH SOME VERSION OF THE

PROGRAM. AT THE MOMENT, HOWEVER, NO ONE, INCLUDING MOST FRENCH OFFICIALS, HAS A CLEAR IDEA OF EXACTLY WHAT GISCARD HAS IN MIND. THE FRENCH WILL PROBABLY SOON PROVIDE THE UNITED STATES WITH AN AIDE-MEMOIRE SPELLING OUT SPECIFIC DETAILS OF THE PROPOSAL. KISSINGER

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